

MANDATORY PURCHASE OF FLOOD INSURANCE REQUIREMENT

NFIP: The City of Fond du Lac participates in the National Flood Insurance Program (NFIP) which makes Federally-backed flood insurance available for all eligible buildings, whether they are in a floodplain or not. Flood insurance covers direct losses caused by surface flooding, including a river flowing over its banks, a lake storm, and local drainage problems.

The NFIP insures buildings, including mobile homes, with two types of coverage: building and contents. Building coverage is for the walls, floors, insulation, furnace and other items permanently attached to the structure. Contents coverage may be purchased separately, if the contents are in an insurable building.

MANDATORY PURCHASE REQUIREMENT: The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 made the purchase of flood insurance mandatory for Federally-backed mortgages on buildings located in a Special Flood Hazard Area (SFHA). It also affects all forms of Federal or Federally related financial assistance for buildings located in a SFHA. The SFHA is the base (100-year) floodplain mapped on a Flood Insurance Rate Map (FIRM). It is shown as one or more zones that begin with the letter "A" or "V".

The rule applies to secured mortgage loans from such financial institutions as commercial lenders, savings and loan associations, banks and credit unions that are regulated, supervised or insured by Federal agencies such as the Federal Deposit Insurance Corporation and the Office of Thrift Supervision. It also applies to all mortgage loans purchased by Fannie Mae or Freddie Mac in the secondary mortgage market. Federal financial assistance programs affected include loans and grants from agencies such as the Department of Veterans Affairs, Farmers Home Administration, Federal Housing Administration, Small Business Administration and FEMA.

HOW IT WORKS: Lenders are required to complete a Standard Flood Hazard Determination (SFHD) whenever they make, increase, extend or renew a mortgage, home equity loan, home improvement loan, commercial or farm credit loan to determine if a building or manufactured home is in a SFHA. It is the responsibility of the Federal agency or the lender to check the current Flood Insurance Rate Map (FIRM) to determine if a building is in a SFHA. Lenders typically use a flood zone determination company to provide the SFHD.

Copies of the FIRM are available for review in the City of Fond du Lac offices of the Community Development Department, Building Inspection and City Engineering.

If a building is in a SFHA, the Federal agency or lender is required by law to require the loan recipient to purchase flood insurance. Federal regulations require building coverage equal to the amount of the loan (excluding the appraised value of the land) or the maximum amount of insurance available from the NFIP, whichever is less. The maximum amount available for a single-family residence is \$250,000. Government sponsored enterprises such as Freddie Mac and Fannie Mae have stricter requirements.

The mandatory purchase requirement does not affect loans or financial assistance for items that are not covered by a flood insurance policy such as vehicles, business expenses, landscaping and vacant lots. It does not affect loans for buildings that are not in a SFHA, even though a portion of the lot may be. While not mandated by law, a lender may require a flood insurance policy - as a condition of a loan - for a property in any zone on a FIRM.

If a person feels that a SFHD incorrectly places the property in a Special Flood Hazard Area, they may request a Letter of Determination Review from FEMA. The request must be made within 45 days of the SFHD. For more information regarding Letters of Final Determination: www.fema.gov/plan/prevent/fhm/st_lfdlist.shtm